THE PUBLISHED ANNUAL FINANCIAL

STATEMENTS OF

FETAKGOMO LOCAL MUNICIPALITY

30 JUNE 2007

FETAKGOMO LOCAL MUNICIPALITY

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FETAKGOMO LOCAL MUNICIPALITY

GENERAL INFORMATION AND APPROVAL OF FINANCIAL STATEMENTS

MEMBERS OF THE EXECUTIVE COMMITTEE

The Mayor : Councillor MC Marota
The Speaker : Councillor CR Phaladi
Councillor PR Maisela
Councillor MD Phala
Councillor N J Matsetse
Councillor K K Mamphekgo

GRADING OF LOCAL AUTHORITY

Grade 1

AUDITOR

The Auditor-General

BANKERS

ABSA, Polokwane Public Sector

REGISTERED OFFICE

New Fetakgomo Municipal Offices
Ga-Nkwana Telephone: 015 622 8000

APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements set out on pages 4 to 16 were approved by the Municipal Manager on the 25th of August 2007

MUNICIPAL MANAGER
(M.F. MOKOKO)

ACTING CHIEF FINANCIAL OFFICER
(S.D. LETSHEDI)

FETAKGOMO LOCAL MUNICIPALITY
FOREWORD
BY
THE HONOURABLE MAYOR MC MAROTA

Since establishment (1 October 2000) our role as Fetakgomo Local Municipality has always been to strive to provide affordable, integrated and sustainable municipal services to all residents in the foreseable future, thereby creating an enabling and safe enabling enviroment for local economic development in the spirit of co-operative government.

Our IDP addresses five KPA's which are Organisational transformation and institutional arrangement, Basic service delivery, Local economic development, Financial viability and good governance and public participation. As a Municipality, our focus has always and will always be to provide quality services, promote socio-economic development to communities in an equitable and sustainable manner through Integrated Development Planning (IDP) in the spirit of co-operative governance and effective administration. One major predicament/challenge, which we are overcoming, has been to continue educating our people about our existence as a municipality, including our roles.

These financial statements reflect the path we walked with a view to assessing progress we managed to achieve in this respect. In the process of making assessment, we will identify the good that we did and the challenges that lie ahead in terms of the process of achieving a better life for our people.

The experiences and lessons learnt from the period under review will be used as a yardstick to improve our performance.

Despite our achievements, we still have a difficult path ahead of us, but by unleashing our full potential and encouraging unity we shall definitely succeed.

A big hand to our communities and all the stakeholders, who have always shown support and encouragement in terms of attending public participation forums etc. We shall always value their courteous and continuous support.

A work well done to everyone within the Municipality who worked tirelessly to the compilation of this financial statements

MAYOR

FETAKGOMO LOCAL MUNICIPALITY
FINANCE MANAGER'S REPORT

1. OPERATING RESULTS

Details of the operating results per department, classification and object of expenditure are included in Appendices C and D.

The overall operating results for the year ended 30 June 2007 are as follows:

REVENUE	Actual 2006 R	Actual 2007 R	Variance 2006/2007 %	Budget 2007 R	Variance Actual/Budget %
Operating revenue for the year	15 964 089	31 634 241	98.2 %	29 365 600	(7.2)%
Opening surplus	29 965 600	34 809 096			
	45 929 689	66 443 337		29 365 600	(7.2)%
EXPENDITURE					
Opening deficit					
Operating expenditure for the year	14 551 826	30 055 217	106.5 %	21 871 600	(27.2)%
Appropriations	(3 431 233)	26 168 997			
Closing surplus	34 809 096	10 219 123			
	45 929 689	66 443 337		21 871 600	(27.2)%

1.1. RATES, GENERAL AND HOUSING SERVICES

	Actual 2006 R	Actual 2007 R	Variance 2006/2007 %	Budget 2007 R	Variance Actual/Budget %
Revenue	15 964 089	31 634 241	98.2 %	29 365 600	(7.2)%
Expenditure	14 551 826	30 055 217	106.5 %	21 871 600	(27.2)%
Surplus (deficit)	1 412 263	1 579 024	11.8 %	7 494 000	0.0 %
Surplus (deficit) as % of total revenue	8.8 %	5.0%		25.5 %	

2. CAPITAL EXPENDITURE AND FINANCING

The following capital expenditure was incurred during 2006/2007:

DESCRIPTION	AMOUNT (R)
Vehicles	
Roads and storm water	398 354
Municipal buildings	7 928 826
Other fixed assets	5 152 935
	13 480 115

The fixed assets were financed from the following funds:

DESCRIPTION	AMOUNT (R)
Revenue	13 480 115

A complete analysis of capital expenditure is included in Appendix C.

3. EXTERNAL LOANS, INVESTMENTS AND CASH

External loans outstanding, total investments from the various funds and cash were the following:

	2007 R	2006 R
Investments	8 311 424	4 352 000
Bank balance	4 487 190	4 598 130

4. FUNDS, RESERVES AND PROVISIONS

The movement regarding statutory funds, reserves, trust funds and provisions is reflected in Appendix A.

5 APPRECIATION

I hereby wish to thank the Municipal Manager and personnel for the support they have given me during the preparation of these statements.

FINANCE MANAGER

FETAKGOMO LOCAL MUNICIPALITY

ACCOUNTING POLICIES

1. Basis of presentation

1.1. These financial statements have been prepared to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Practice for Local Government Accounting (1997) and the Published Annual Financial Statements for Local Authorities (2nd edition 1996, as amended)

1.2. The financial statements are prepared on the historical cost basis, adjusted for capital expenditure as more fully detailed in note 3. The accounting policies are consistent with those applied in previous years, except if otherwise indicated.

1.3. The financial statements are prepared on the accrual basis:
Income is accrued when measurable and available. Certain direct income is recorded when received, such as traffic fines, certain licences and governmental grants.
Expenditure is accrued in the year it is incurred.

2. Consolidation

The balance sheet includes Rate and General Services, Housing Service, Trading Services and the different funds, reserves and provisions. All inter-departmental charges are set-off against each other, with the exception of assessment rates, refuse removal, sewerage, electricity and water, which are treated as income and expenditure in the respective departments.

3. Fixed assets

3.1. Fixed assets are stated at historical cost or at valuation (based on market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Treasurer.

3.2. Depreciation: The balance shown against the heading "Loans Redeemed and other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this "provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:
Appropriations from operating income, where the full cost of the asset forms an immediate and direct charge against operating income, and therefore no further provision for depreciation is made.

Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and other Capital Receipts" account.

Where assets are acquired through grants and donations, which are accounted for directly in revenue, the full cost of the asset forms an immediate and direct charge against operating income, and therefore no further provision for depreciation is made.

3.3. All net proceeds from the sale of fixed property are credited to the Land Trust Fund. Net proceeds from the sale of other assets are credited to the Capital Development Fund or to Income.

3.4. Capital assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans and advances. Interest is charged to the service concerned at the ruling interest applicable at the time the advance is made.

4 Provisions

Provisions are created for liabilities or contingencies which are known at the date of the balance sheet, but for which the amounts involved cannot be determined with substantial accuracy. Provisions are made for leave payments, audit and debtors.

5 Surpluses and deficits

Any surpluses or deficits arising from the operation of the electricity and water services are transferred to Rate and General Services to alleviate the tax burden of rate payers.

FETAKGOMO LOCAL MUNICIPALITY

BALANCE SHEET AT 30 JUNE 2007

	Notes	2007 R	2006 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		456 664	405 430
Reserves	1	456 664	405 430
RETAINED SURPLUS / (ACCUMULATED DEFICIT)	7	10 219 123	34 809 096
		10 675 787	35 214 526
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	2	-	20 044 479
INVESTMENTS	3	8 311 424	4 532 000
LONG-TERM DEBTORS	4	-	22 707
		8 311 424	24 599 186
NET CURRENT ASSETS		2 364 363	10 615 340
CURRENT ASSETS		7 057 505	11 741 262
Debtors	5	2 534 244	7 070 953
Bank	11	4 487 190	4 598 130
Cash	11	839	371
Short-term portion of long-term debtors	4	35 232	71 808
CURRENT LIABILITIES		4 693 142	1 125 922
Creditors	6	4 693 142	1 125 922
		10 675 787	35 214 526

FETAKGOMO LOCAL MUNICIPALITY
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

2006 Actual Income	2006 Actual Expenditure	2006 Surplus / (Deficit)		2007 Actual Income	2007 Actual Expenditure	2007 Surplus / (Deficit)	Budget Surplus / (Deficit)
R	R	R		R	R	R	R
			RATE AND GENERAL			-	
15 964 089	14 551 826	1 412 263	**SERVICE**	31 634 241	30 055 217	1 579 024	7 494 000
15 964 089	14 551 826	1 412 263	Community services	31 634 241	30 055 217	1 579 024	7 494 000
-	-	-	Subsidised services	-	-	-	-
-	-	-	Economic services	-	-	-	-
-	-	-	**TRADING SERVICES**	-	-	-	-
15 964 089	14 551 826	1 412 263	TOTAL	31 634 241	30 055 217	1 579 024	7 494 000
		3 431 233	Appropriations for the year (refer to note 7)			(26 168 997)	
		4 843 496	Net surplus / (deficit) for the year			(24 589 973)	
		29 965 600	Accumulated surplus / (deficit) at the beginning of the year			34 809 096	
		34 809 096	ACCUMULATED SURPLUS / (DEFICIT) AT THE END OF THE YEAR			10 219 123	

(Refer to Appendices C and D for more detail)

FETAKGOMO LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 R	2006 R
CASH RETAINED FROM OPERATING ACTIVITIES		17 089 784	2 411 893
Cash generated by operations	8	(22 365 651)	(3 537 846)
Investment income	8	873 772	664 541
(Increase) / decrease in working capital	9	8 155 163	2 137 037
		(13 336 716)	(736 268)
Cash available from operations		(13 336 716)	(736 268)
Cash contributions from the public and State	APPEN C	30 426 500	3 148 161
CASH UTILISED IN INVESTMENT ACTIVITIES			
Investment in fixed assets	APPEN B	(13 480 115)	(7 716 801)
Decrease in long-term debtors	4	59 283	(59 156)
NET CASH FLOW		3 668 952	(5 364 064)
CASH EFFECTS ON FINANCING ACTIVITIES			
(Increase) / decrease in cash investments	10	3 779 424	(4 000 000)
(Increase) / decrease in cash	11	(110 472)	(1 364 064)
NET CASH (GENERATED) / UTILISED		3 668 952	(5 364 064)

FETAKGOMO LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

		2007 R	2006 R
1	**RESERVES AND PROVISIONS**		
	Provision for Leave	456 664	405 430
		456 664	405 430
	(Refer to Appendix A for more detail)		
2	**FIXED ASSETS**		
	Fixed assets: beginning of the year	20 044 479	12 327 678
	Capital expenditure during the year	13 480 115	7 716 801
	Less: Assets written off, transferred or disposed		
	Total fixed assets	33 524 594	20 044 479
	Less: Loans redeemed and other capital receipts	33 524 594	-
	Net fixed assets	-	20 044 479
3	**INVESTMENTS**		
	Unlisted:		
	Short-term investments	8 311 424	4 532 000
		8 311 424	4 532 000
4	**LONG-TERM DEBTORS**		
	Motor vehicle loans	35 232	94 515
		35 232	94 515
	Less: short-term portion transferred to current assets	(35 232)	(71 808)
		-	22 707
5	**DEBTORS**		
	VAT - Control	219 309	4 218 834
	Sundry Debtors	2 314 935	2 852 119
		2 534 244	7 070 953
	Less: Provision for irrecoverable debts	-	-
		2 534 244	7 070 953
6	**CREDITORS**		
	Sundry creditors	223 669	1 125 922
	Unspent funds - Grants received	4 469 473	
		4 693 142	1 125 922
7	**APPROPRIATIONS**		
	Appropriation account		
	Accumulated surplus / (deficit): beginning of year	34 809 096	29 965 600
	Operating surplus / (deficit) for the year	1 579 024	1 412 263
	Appropriations for the year:	(26 168 997)	3 431 233
	Contribution to Capital Expenses	(20 044 479)	-
	Prior year adjustments	(6 124 518)	3 431 233
	Accumulated surplus / (deficit): end of year	10 219 123	34 809 096

		2007 R	2006 R
8	**CASH GENERATED BY OPERATIONS**		
	Surplus / (deficit) for the year	1 579 024	1 412 263
	Appropriations - prior year adjustments	(6 124 518)	3 431 233
	Appropriations charged against revenue:		
	Fixed assets	13 480 115	(7 716 801)
	Cash contributions from the public and state	(30 426 500)	-
	Investment income (operations)	(873 772)	(664 541)
		(22 365 651)	(3 537 846)
9	**(INCREASE) / DECREASE IN WORKING CAPITAL**		
	(Increase) / decrease in debtors	4 536 709	3 704 687
	Increase / (decrease) in creditors	3 567 220	(1 596 500)
	Increase / (decrease) in provisions	51 234	28 850
		8 155 163	2 137 037
10	**(INCREASE) / DECREASE IN EXTERNAL CASH INVESTMENTS**		
	Investments made	8 311 424	4 532 000
	Investments realised	4 532 000	8 532 000
		3 779 424	(4 000 000)
11	**(INCREASE) / DECREASE IN CASH/BANK ON HAND**		
	Cash balance: beginning of the year	4 598 501	5 962 565
	Less: Cash balance: end of the year	4 488 029	4 598 501
		(110 472)	(1 364 064)

12 RETIREMENT BENEFITS

Personnel are members of the Municipal Gratuity Fund, and Councillors of the Municipa Councillors Pension Fund. No actuarial valuation of these Funds has been made to date in respect of the Municipality's membership.

FETAKGOMO LOCAL MUNICIPALITY

APPENDIX A

STATUTORY FUNDS, RESERVES AND PROVISIONS

	Balance at 30 June 2006	Contributions during the year	Interest on investments	Other income	Expenditure during the year	Written off during the year	Balance at 30 June 2007
	R	R	R	R	R	R	R
RESERVES							
Leave Reserve Fund	405 430	-	-	51 234	-	-	456 664
	405 430	-	-	51 234	-	-	456 664

FETAKGOMO LOCAL MUNICIPALITY

APPENDIX B

ANALYSIS OF FIXED ASSETS

Expenditure 2005/2006 R	SERVICE	Budget 2006/2007 R	Balance at 30 June 2006 R	Expenditure 2006/2007 R	Written off, transferred (in and out), redeemed or disposed of during the year R	Balance at 30 June 2007 R
7 716 801	RATE AND GENERAL SERVICES	11 593 278	20 044 479	13 480 115	-	33 524 594
7 716 801	COMMUNITY SERVICES	11 593 278	20 044 479	13 480 115	-	33 524 594
7 191 731	Public Works	11 593 278	16 028 320	12 922 939	-	28 951 259
-	Estates	-	-	-	-	-
-	Roads and Storm water	-	-	-	-	-
-	Streetlights	-	-	-	-	-
465 800	Council's General	-	3 211 525	557 176	-	3 768 701
-	Municipal Manager	-	128 374	-	-	128 374
59 270	Finance and Fixed Properties	-	676 260	-	-	676 260
-	Traffic Services	-	-	-	-	-
-	SUBSIDISED SERVICES	-	-	-	-	-
-	Civil Protection	-	-	-	-	-
-	Municipal Buildings	-	-	-	-	-
-	Parks, Recreation and Cemetery	-	-	-	-	-
-	Abattoir	-	-	-	-	-
-	ECONOMIC SERVICES	-	-	-	-	-
-	Sanitation	-	-	-	-	-
-	TRADING SERVICES	-	-	-	-	-
-	Electricity	-	-	-	-	-
-	Water	-	-	-	-	-
		-				
7 716 801	TOTAL FIXED ASSETS	11 593 278	20 044 479	13 480 115	-	33 524 594
	LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS		20 044 479	13 480 115	-	33 524 594
-	Loans redeemed and advances repaid		-	-	-	-
7 716 801	Contributions from operating income		20 044 479	13 480 115	-	33 524 594
-	Grants and subsidies		-	-	-	-
-	Reserves		-	-	-	-
-	NET FIXED ASSETS		-	-	-	-

FETAKGOMO LOCAL MUNICIPALITY

APPENDIX C
ANALYSIS OF OPERATING REVENUE AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2007

Actual 2006		Actual 2007	Budget 2007
R	**REVENUE**	R	R
14 786 010	Government and Provincial Grants and Subsidies	30 426 500	22 997 600
1 178 079	Operating Revenue:	1 207 741	6 368 000
664 541	Interest received	873 772	1 161 000
513 538	Other	333 969	5 207 000
15 964 089		31 634 241	29 365 600
	EXPENDITURE		
7 254 442	Salaries and allowances	10 716 637	12 003 056
7 049 892	General expenses	5 649 395	9 227 544
247 492	Repairs and maintenance	209 070	761 000
-	Contributions to fixed assets	13 480 115	(120 000)
14 551 826	Net expenditure	30 055 217	21 871 600
1 412 263	Surplus/ Deficit	1 579 024	7 494 000

FETAKGOMO LOCAL MUNICIPALITY

APPENDIX D

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

2006 Actual Revenue	2006 Actual Expenditure	2006 Surplus / (Deficit)		2007 Actual Revenue	2007 Actual Expenditure	2007 Surplus / (Deficit)	Budget Surplus / (Deficit)
R	R	R		R	R	R	R
15 964 089	14 551 826	1 412 263	**RATE AND GENERAL SERVICE**	31 634 241	30 055 217	1 579 024	7 494 000
15 964 089	14 551 826	1 412 263	**COMMUNITY SERVICES**	31 634 241	30 055 217	1 579 024	7 494 000
-	-	-	Assessment Rates	-	-	-	
-	-	-	Civil Defence	-	-	-	
15 964 089	7 905 850	8 058 239	Council's General	31 634 241	10 756 828	20 877 413	16 245 200
-	3 362 414	(3 362 414)	Public Works	-	15 629 526	(15 629 526)	(3 728 000)
-	798 234	(798 234)	Municipal Manager	-	757 335	(757 335)	(1 476 800)
-	2 485 328	(2 485 328)	Finance and Fixed Properties	-	2 911 528	(2 911 528)	(3 546 400)
-	-	-	Traffic and Licensing	-	-	-	
-	-	-	**SUBSIDISED SERVICES**	-	-	-	-
-	-	-	Library	-	-	-	
-	-	-	Parks, Estates and Cemeteries	-	-	-	
-	-	-	**ECONOMIC SERVICES**	-	-	-	-
-	-	-	Cleansing/Refuse Removal	-	-	-	
-	-	-	Sewerage	-	-	-	
-	-	-	**TRADING SERVICES**	-	-	-	-
-	-	-	Water and Electricity Service	-	-	-	
-	-	-	Specific Water Service	-	-	-	
15 964 089	14 551 826	1 412 263	**TOTAL**	31 634 241	30 055 217	1 579 024	7 494 000
		3 431 233	Appropriations for the year (Refer to note 7)			(26 168 997)	
		4 843 496	Net surplus / (deficit) for the year			(24 589 973)	
		29 965 600	Accumulated surplus / (deficit) at the beginning of the year			34 809 096	
		34 809 096	**ACCUMULATED SURPLUS / (DEFICIT) AT THE END OF THE YEAR**			10 219 123	